

News from Ed Markey

United States Congress

Massachusetts Seventh District

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MARKEY ASKS SEC WHETHER INVESTORS ARE RECEIVING SUFFICIENT PROTECTION

Information Requested About Securities Investor Protection Corporation

Washington, D.C. -- Rep. Edward Markey (D-MA), a senior member of the Energy and Commerce Committee and former Chairman of the Subcommittee on Telecommunications and Finance, today sent a letter to Securities and Exchange Commission (SEC) Chairman William Donaldson on an issue of particular importance to ordinary investors. Rep. Markey's letter, which is co-signed by Rep. Barney Frank (D-MA), the Ranking Democrat on the Financial Services Committee, and Rep. John Dingell (D-MI), the Ranking Democrat on the Energy and Commerce Committee, requests information about the recent activities of the Securities Investor Protection Corporation (SIPC), an organization created by Congress to help investors recover their cash and securities from failed brokerages. The Securities Investor Protection Act (SIPA) vested the SEC with oversight authority over SIPC.

"As we have seen over the past year, unscrupulous brokers can strip unsuspecting investors of their life savings. Congress recognized that investors need protection when their broker engages in corrupt practices such as unauthorized trading in their accounts and brokerages fail, taking with them customer deposits. The purpose of our inquiry is to help us determine whether SIPC is providing sufficient protection to investors, consistent with the Securities Investor Protection Act. Although the SIPA was passed more than 30 years ago, investors today need its protection now perhaps more than ever before," said Rep. Markey.

Markey explained, "Congress created SIPC more than thirty years ago to ensure that investors would be able to recover much, if not all, of their cash and securities in the event of a brokerage failure. In the letter that we are sending to SEC Chairman Donaldson, we are asking for information about the degree to which SIPC is fulfilling its important mission," Rep. Markey said.

When a brokerage becomes insolvent, investors with accounts at the brokerage are required to file claims with SIPC when their money, stocks and other securities are stolen by a broker or put at risk when a brokerage fails for other reasons. Once SIPC or a bankruptcy trustee has determined the level of reimbursement the investor is entitled to recover, the SEC has the authority to review this determination, and if necessary, take a position in court in opposition to the determination of reimbursement due an investor. The Markey-Frank-Dingell letter asks for a range of information about SIPC and SEC's oversight of the organization, including:

- Over the past two years, how many SIPC claim determinations has the Commission reviewed in order to ensure that the determinations are consistent with SIPA? How many SIPC claim determinations did the Commission review during the period from January 1999 to January 2001? Of the reviews conducted both from January 1999 to January 2001, and from January 2001 to the present, how many reviews in each of these two periods resulted in the Commission staff opposing trustees' determination of compensation due investors?

- Has the SEC obtained from SIPC a statement setting forth in writing the evidence necessary and the standard of proof SIPC uses in initiating and acting on claims in SIPC proceedings, as recommended in SEC's Inspector General's 2000 report.
- Over the past two years, how many times has SIPC reduced awards that were mandated as part of securities arbitration proceedings?

A copy of the full letter is available at www.house.gov/markey.

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